

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 AID-05 CEA-01 CIAE-00 COME-00 EB-08
FRB-03 INR-10 NSAE-00 SP-02 STR-07 TRSE-00 LAB-04
SIL-01 OMB-01 AGR-01 SS-15 NSC-05 L-03 PA-01 H-01
/081 W

-----018496 141949Z /43

R 141911Z APR 78
FM AMEMBASSY BRUSSELS
TO SECSTATE WASHDC 6034
INFO ALL EC CAPITALS
AMEMBASSY BELGRADE

C O N F I D E N T I A L SECTION 01 OF 02 BRUSSELS 07334

USEEC

E.O. 11652: GDS
TAGS: YO, EEC, ECIN
SUBJ: EC/YUGOSLAV NEGOTIATIONS ON A NEW COOPERATION
AGREEMENT--SECOND ROUND

REF: BRUSSELS 2617

1. SUMMARY: AT APRIL 11 MEETING IN BRUSSELS, YUGOSLAVS,
WHO REITERATED DISSATISFACTION WITH THE EC'S NEGOTIATING
POSITION, PRESENTED CONCRETE PROPOSALS TO COMMISSION ON
THE NEW EC-YUGOSLAV ECONOMIC AND TRADE AGREEMENT. COM-
MISSION DOES NOT EXPECT TO RESPOND TO THE PROPOSALS BEFORE
JUNE. END SUMMARY.

2. IN DISCUSSION WITH MISSION OFFICER APRIL 14, EC
COMMISSION OFFICIAL SAID AN AIR OF PESSIMISM PERVADES THE
COMMISSION AS A RESULT OF THE SECOND ROUND OF NEGOTIATIONS
ON A NEW EC-YUGOSLAV ECONOMIC AND TRADE COOPERATION AGREE-
MENT. CONFIRMING REPORTS THAT THE COMMISSION HAS NOW
RECEIVED FROM THE YUGOSLAVS SPECIFIC CONCRETE PROPOSALS,
SOURCE DESCRIBED YUGOSLAV PROPOSALS IN THE TRADE SECTOR,
PARTICULARLY, AS BEING ALMOST OUT OF THE BALL PARK AS
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FAR AS COMMUNITY MEMBER STATES ARE CONCERNED.

3. SOURCE SAID YUGOSLAV PROPOSALS ON TRADE CONCERN INTER
ALIA: (A) THE INCLUSION OF A SAFEGUARD CLAUSE REQUIRING
A PRIOR CONSULTATION PROCEDURE, (B) THE INCLUSION OF A
GENERAL EQUILIBRIUM CLAUSE PROVIDING FOR ADEQUATE MEASURES
TO BE TAKEN TO INSURE BALANCED TRADE, (C) MORE SPECIFIC
REFERENCE TO AND INCLUSION OF CERTAIN PRODUCTS IN THE

GENERALIZED SCHEME OF PREFERENCES, AND (D) AN EC UNDERTAKING TO CONSULT YUGOSLAVIA ON THE CONSEQUENCES OF THE ACCESSION INTO THE COMMUNITY OF GREECE, SPAIN AND PORTUGAL.

4. SOURCE NOTED THAT THE YUGOSLAV PROPOSALS RAISE DIFFICULTIES FOR THE COMMUNITY IN OTHER SECTORS AS WELL. IN THE INDUSTRIAL SECTOR, HE SAID, THE YUGOSLAVS ARE SEEKING: A) FACILITATION OF THE ACQUISITION OF LICENSES, PATENTS AND OTHER FORMS OF INDUSTRIAL PROPERTY FROM WESTERN EUROPE, B) EXEMPTION OF EC-YUGOSLAV JOINT VENTURES FROM EC PROTECTIONIST MEASURES AND NON-TARIFF BARRIERS, C) PREFERENTIAL TREATMENT UPON RE-EXPORT TO THE COMMUNITY OF ITEMS FINISHED IN YUGOSLAVIA FROM PARTS AND COMPONENTS ORIGINATING IN THE EC, D) EC-WIDE DUTY-FREE TREATMENT OF YUGOSLAV PRODUCTS ORIGINATING IN YUGOSLAV-ITALIAN FREE ZONE (OSIMO AGREEMENT).

5. REGARDING THE FINANCIAL SECTOR, SOURCE SAID THE YUGOSLAV PROPOSALS COVER INCREASED (AMOUNTS UNSPECIFIED) FUNDS FROM THE EUROPEAN INVESTMENT BANK, BEYOND THOSE EC IS PREPARED TO AGREE TO, RECLASSIFICATION OF YUGOSLAVIA (FROM A MEDIUM DEVELOPING TO A POOR COUNTRY) IN ORDER TO INCREASE THE LEVEL OF EXPORT CREDITS, AND FACILITATIVE ASSISTANCE IN GAINING BETTER ACCESS TO EC CAPITAL MARKETS. IN THE AGRICULTURAL SECTOR, THE YUGOSLAVS WANT A SPECIFIED EC QUOTA FOR BABY BEEF AND WISH TO EXPORT TO THE COMMUNITY DEHYDRATED MAIZE, FODDER AND OTHER AGRICULTURAL PRODUCTS IN WHICH THE EC IS ALREADY SELF-SUFFICIENT.

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6. REGARDING THE SOCIAL SECTOR, SOURCE SAID THAT THE YUGOSLAVS WERE NOT PREPARED TO ACCEPT THE GERMAN FORMULA (REFTEL) AND WERE INSISTENT THAT THERE BE INCORPORATED DIRECTLY IN THE AGREEMENT THE SOCIAL PROVISIONS COVERING YUGOSLAV MIGRANTS (E.G., RIGHTS AND BENEFITS FOR YUGOSLAV WORKERS) AND A CLAUSE ACCEPTING THE PRINCIPLE OF JOINT EC-YUGOSLAV ACTION TO INSURE REINSERTION IN THE YUGOSLAV ECONOMY OF WORKERS CURRENTLY EMPLOYED IN EC COUNTRIES AS YUGOSLAV ECONOMY IMPROVES.

7. SOURCE SAID COMMISSION IS NOW EXAMINING YUGOSLAV PROPOSALS WITH A VIEW TO SEEKING MODIFICATION FROM THE EC COUNCIL OF ITS NEGOTIATING DIRECTIVES. COMMISSION PLANS TO SUBMIT REVISIONS TO THE COUNCIL FOR APPROVAL AT ITS JUNE MEETING. COMMISSION OFFICIAL SPECULATED THAT IT MAY BE POSSIBLE FOR THE COMMUNITY TO BE AT LEAST SOMEWHAT RESPONSIVE IN THE AGRICULTURAL, SOCIAL AND FINANCIAL SECTORS, BUT REITERATED DIFFICULTIES IN MEETING THE YUGOSLAVS IN THE TRADE SECTOR.

8. THERE FOLLOWS TEXT OF A PORTION OF JOINT EC-YUGOSLAV PRESS RELEASE OF APRIL 12 OUTLINING YUGOSLAV ATTITUDE TOWARD EC NEGOTIATING POSITION:

QUOTE THE YUGOSLAV SIDE CONSIDERS THE COMMISSION'S PRESENT
NEGOTIATING DIRECTIVES TO BE UNCONDUCTIVE TO TRANSLATING
INTO CONCRETE TERMS THE POLITICAL COMMITMENT EXPRESSED IN
THE BELGRADE DECLARATION ON STRENGTHENING ECONOMIC AND
COMMERCIAL TIES BETWEEN THE TWO PARTIES. THE YUGOSLAV
DELEGATION, REITERATING ITS SERIOUS CONCERN OVER THE
PRESENT EVOLUTION OF EXCHANGES BETWEEN THE TWO PARTIES,
SUBMITTED CONCRETE PROPOSALS AIMED AT FINDING MORE
SUITABLE SOLUTIONS WITHIN THE FRAMEWORK OF THE NEW AGREE-
MENT AND AT PROVIDING A BETTER ECONOMIC BALANCE IN THE

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SIL-01 OMB-01 AGR-01 SS-15 NSC-05 L-03 PA-01 H-01
/081 W

-----018571 141948Z /50

R 141911Z APR 78
FM AMEMBASSY BRUSSELS
TO SECSTATE WASHDC 6035
INFO ALL EC CAPITALS
AMEMBASSY BELGRADE

C O N F I D E N T I A L SECTION 02 OF 02 BRUSSELS 07334

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FIELDS OF TRADE, INDUSTRY, AGRICULTURE, FINANCE,
TRANSPORTATION AND SOCIAL MATTERS. END QUOTE. HINTON

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: AGREEMENTS, ECONOMIC COOPERATION, NEGOTIATIONS
Control Number: n/a
Copy: SINGLE
Draft Date: 14 apr 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978BRUSSE07334
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Expiration:
Film Number: D780161-0450
Format: TEL
From: BRUSSELS USEEC
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780456/aaaabvcv.tel
Line Count: 157
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: b9a601b0-c288-dd11-92da-001cc4696bcc
Office: ACTION EUR
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: 78 BRUSSELS 2617
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 18 may 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2965555
Secure: OPEN
Status: NATIVE
Subject: EC/YUGOSLAV NEGOTIATIONS ON A NEW COOPERATION AGREEMENT--SECOND ROUND
TAGS: ECIN, YO, EEC
To: STATE
Type: TE
vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/b9a601b0-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014